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THE LOCAL AUTHORITIES LOANS ACT, 1914

"ACT No. IX OF 1914

[28th February, 1914]

An Act to consolidate and amend the law relating to the grant of loans to Local Authorities

Preamble. WHEREAS it is expedient to consolidate and amend the law relating to the borrowing powers of local authorities ; It is hereby enacted as follows :-

1. Short title and extent.— (1) This Act may be called the Local Authorities Loans Act, 1914.

*[(2) It extends to the whole of Pakistan.]

2. Definitions. In this Act, “local authority” means any person legally entitled to the control or management of any local or municipal fund, or legally entitled to impose any cess, rate, duty or tax within any local area ;

“funds”, used with reference to any local authority, includes any local or municipal fund to the control or management of which such authority is legally entitled, and any cess, rate, duty or tax which such authority is legally entitled to impose, and any property vested in such authority ;

“prescribed” means prescribed by rules made under this Act ; and

“work” includes a survey, whether incidental to any other work or not ;

3[“the Government” or “the appropriate Government” means, in relation to cantonment authorities and in relation to port authorities in major ports, the “[Federal Government], and in relation to other local authorities, the Provincial Government.]

3. Borrowing powers of local authorities.— (1) A local authority may, subject to the prescribed conditions, borrow on the security of its funds or any portion thereof for any of the following purposes, namely:-

(i) the carrying out of any works which it is legally authorized to carry out,

(ii) the giving of relief and the establishment and maintenance of relief works in times of famine or scarcity,

'For Statement of Objects and Reasons, see Gazette of India, 1914, Pt. V, p. 5 ; for Report of Select Committee, see Proceedings in Council, see *ibid.*, 1914, Pt. VI, pp. 64, 159, 189 and 496.

The Act was extended to Baluchistan under s. 5 of the Scheduled Districts Act, 1874 (14 of 1874), see G.O.

This Act has been extended to the Leased Areas of Baluchistan, see the Leased Areas (Laws) Order, 1937, Federated Areas of Baluchistan, see Gazette of India, 1937, Pt. 1., p. 1499.

The Act has been extended and shall be deemed to have been so extended on the 14-10-1955 to the whole of India (see the Indian Reforms Commission Report, 1955, para. 10, and the Indian Reforms Commission (Reform) Ordinance, 1960 (21 of 1960), s. 3 and Sch.

The provision of this Act shall apply to all loans borrowed under the Karachi Joint Water Board Ordinance, 1949, in so far as the provisions are not inconsistent with the provisions of the Ordinance, see s. 14 of Ordinance 13 of 1949.

*Subs. by Ordinance 21 of 1960, s. 3 and 2nd Sch. (with effect from the 14th October, 1955), for the original Act, see Sch.

3Ins. by A. O., 1937.

'Subs. by F.A.O., 1975, Art. 2 and Table, for "Central Government".

(iii) the prevention of the outbreak or spread of any dangerous epidemic disease,

(iv) any measures which may be connected with or ancillary to any purposes specified in clauses (ii) and (iii),

(v) the repayment of money previously borrowed in accordance with law:

Provided that nothing in clause (v) shall be deemed to empower a local authority to fix a period for the repayment of any money borrowed thereunder which, when the period fixed for the repayment of the money previously borrowed is taken into account, will exceed maximum period fixed for the repayment of a loan by or under any enactment for the time being in force :

‘Provided further that, in the case of loans other than loans made by the [appropriate Government], no amount exceeding twenty-five lakhs of rupees shall be borrowed unless the terms, including the date of floatation, of such loan have been approved by the >[appropriate Government].]

(2) Nothing in this section shall be deemed to authorize any local authority—

(a) to borrow or spend money for any purpose for which, under the law for the time being in force, it is not authorized to apply its funds, or

(b) to borrow money by means of the issue of bills or promissory notes payable within any period not exceeding twelve months.

4. Power to Government to make rules.— (1) The *[appropriate Government] may make Rules consistent with this Act as to—

(i) the nature of the funds on the security of which money may be borrowed ;

(ii) the works for which money may be borrowed ;

(iii) the manner of making applications for permission to borrow money ;

(iv) the inquiries to be made in relation to such loans, and the manner of conducting such inquiries ;

(v) the cases and the forms in which particulars of applications and proceedings, and orders thereon, shall be published ;

Vi, the cases in which the 7[appropriate Government] may make loans^{o* * *} ;
pprop: ry

7[(vii) the cases in which local authorities may take loans from persons other than the [appropriate Government] ;]

'This proviso was ins. by the Devolution Act, 1920 (38 of 1920), s.2 and Sch. I.

*Subs. by A. O., 1937, for “L. G.”.

Subs. ibid., for “G. G. in C.”.

“Subs. ibid., for the words “L. G.” which were subs. by Act 38 of 1920, s. 2 and Sch. I, for “G. G. in C.”.

*For rules applying to all local authorities in Chief Commissioners' Provinces and to Cantonment authorities in Governors' Provinces, see the Local Authorities Loans (Central) Rules, 1937 (published in the Gazette of India, 1937, Pt. II, Sec. 3, Sub-section (ii)). For rules applying to other local authorities in Governors' Provinces, see the Local Authorities Loans Rules 1915 (C. 1915).

Certain words Rep. by Devolution Act, 1920 (38 of 1920), s. 2, and Sch. I.

7 Subs. *ibid.*, for the original clause.

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(viii)

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the manner of recording and enforcing the conditions on which money is to be borrowed ;

the manner and time of making or raising loans ;
the inspection of any works carried out by means of loans ;

the installments, if any, by which loans shall be repaid, the interest to be charged on loans, and the manner and time of repaying loans and of paying the interest thereon ;

the sum to be charged against the funds which are to form the security for the loan, as costs in effecting the loan ;

the attachment of such funds, and the manner of disposing of or collecting them ;

the accounts to be kept in respect of loans ;

the utilization of unexpended balances of loans either in the reduction in any way of the debt of the local authority, or in carrying out any works which that authority is legally authorized to carry out ; and the sanction necessary to such utilization ;

and as to all other matters incidental to carrying this Act into effect.

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(3) All rules made under this Act shall be published * * * in the [official Gazette], and on such publication, shall have effect as if enacted in this Act.

5. Remedy by attachment if loan not repaid. If any money borrowed in accordance with the provisions of this Act or any interest or costs due in respect thereof, is or are not repaid according to the conditions of the loan, the "[appropriate Government], if itself the lender, may, and, if the 'l[appropriate Government] is not the lender, shall, on the application of the lender, attach the funds on the security of which the loan was made. After such attachment, no person, except an officer appointed in his behalf by the "[appropriate Government], shall in any way deal with the attached funds; but such officer may do all acts in respect thereof which the borrowers might have done if

such attachment had not taken place, and may apply the proceeds in satisfaction of the loan and of all interests and costs due in respect thereof and of all expenses caused by the attachment and subsequent proceedings:

'Sub-section (2) was rep. by the Devolution Act, 1920 (38 of 1920), s. 2 and Sch. I.

Certain words were rep., *ibid*.

+Subs. by A. O., 1937, for "local official Gazette".

4Subs. by A. O., 1937, for "L. G.".

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Attachment not to defeat prior charges legally made. Provided that no such attachment shall defeat or prejudice any debt for which the funds attached were previously pledged in accordance with law ; but all such prior charges shall be paid out of the proceeds of the funds before any part of the proceeds is applied to the satisfaction of the liability in respect of which such attachment is made.

6. Issue of short term bills.—(1) Subject to the provisions of section '[17 of the State Bank of Pakistan Act, 1956 (XXXIII of 1956)], the local authorities mentioned in Schedule I and any other local authority to which the *[appropriate Government] may, by notification in the *[official Gazette], extend the provisions of this section, may, with the previous sanction of the *[appropriate Government], borrow money by means of the issue of bills or promissory notes payable within any period, not exceeding twelve months, for any purpose for which such local authority may lawfully borrow money under any law for the time being in force:

Provided that the amount of the bills or promissory notes which may be so issued, shall not exceed, when the amount of the other moneys for the time being borrowed by such local authority is taken into account, the total amount which such local authority is empowered by law to borrow.

(2) The ?[appropriate Government] may, by general or special order, regulate the conditions on which money may be borrowed or repaid under this section.

7. Loans not to be effected. except under this Act. Except as provided by or under this Act, no local authority shall, for any purpose, borrow money upon, or otherwise charge its funds ; and any contract otherwise made for that purpose after the passing of this Act shall be void:

Provided that nothing herein contained shall be deemed—

(a) to preclude any local authority from exercising the borrowing powers conferred on it by any special enactment now or hereafter in force ; or

(b) to affect the power conferred on any local authority by any such enactment to charge its funds, by guaranteeing the payment of interest on money to be applied to any purpose to which the funds of the local authority can legally be applied.

8. *[Application of Act to loan existing previous to the fifth September, 1871.] Omitted by the Federal Laws (Revision and Declaration) Ordinance, 1981 (XXVII of 1981), s. 3 and Second Schedule.

9. [Repeals.] Rep. by the Repealing Act, 1927 (XII of 1927), s. 2 and Schedule.

'Subs. by the Federal Laws (Revision and Declaration) Ordinance, 1981 (27 of 1981), s. 3 and Sch., II. fo 1910", which has previously been amended by various enactments from time to time.

*Subs. by A. O., 1937, for "G. G. in C. ".

3Subs. *ibid.*, for "Gazette of India".

'This section was amended by A. O., 1937.

SCHEDULE I

(See section 6)

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2% * * * * *
3x * * * * *
4x * * * * *

5[The Karachi Municipal Corporation.]
The Trustees of the Port of Karachi.

6x * * * * *

SCHEDULE II— [ENACTMENTS REPEALED.] Rep. by the Repealing Act, 1927 (XII of 1927),
s. 2 and Schedule.

'The entries relating to the local authorities of Corporation and Port of Calcutta, omitted by A. O., 1949, S

>The words "The [Trustees of] the Port of Chittagong", omitted by F.A.O., 1975, Art. 2 and Sch., which w
3 and Sch., for "Commissioners for'.

>The entries relating to the local authorities of Corporations and Ports of Bombay and Madras, omitted by

"The entries relating to the Municipal Committee of Rangoon and the Commissioners for the Port of Rang

'Subs. by the Repealing and Amending Ordinance, 1965 (10 of 1965), s. 3 and 2nd Sch., for "the Municip
Ordinance 1 of 1961, s. 3 and 2nd Sch.

°The entries relating to the Trustees for the Improvement of the cities of Bombay and Calcutta, omitted by